

AMENDED IN ASSEMBLY JUNE 21, 2007

SENATE BILL

No. 579

Introduced by Senator Wiggins

February 22, 2007

An act to add ~~Section 20136~~ *Sections 20136 and 31540* to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 579, as amended, Wiggins. Public employees' retirement: health insurance premiums: retirement.

The

(1) *The* Public Employees' Retirement Law provides that the management and control of the Public Employees' Retirement System is vested in the Board of Administration of that retirement system. That law requires the board to perform specified tasks, including, but not limited to, keeping in convenient form data necessary for the actuarial valuation of the retirement system, adopting mortality, service, and other actuarial tables, and adopting rules for conducting structured preretirement information seminars. The federal Pension Protection Act of 2006 provides that the gross income of a retired public safety officer, as defined, does not include a direct distribution from an eligible retirement plan to a provider of an accident or health insurance plan or a qualified long-term care insurance contract if that distribution is payable for and does not exceed the amount paid by the retired public safety officer for qualified health insurance premiums, as specified.

This bill would require, if a member separates from service as a public safety officer, as defined, and he or she retires from that public safety officer position, either for disability or based upon years of service after attaining the normal retirement age, the Board of Administration of the

Public Employees' Retirement System to certify to the Internal Revenue Service or a health insurance plan provider that the member is a retired public safety officer, as specified.

(2) Under the County Employees Retirement Law of 1937, the management of a retirement system subject to that law is vested in the board of retirement. That law permits the board of retirement to perform specified tasks, including, but not limited to, establishing records management procedures and correcting errors in the calculation of a retired member's monthly allowance or any other benefit. The federal Pension Protection Act of 2006 provides that the gross income of a retired public safety officer, as defined, does not include a direct distribution from an eligible retirement plan to a provider of an accident or health insurance plan or a qualified long-term care insurance contract if that distribution is payable for, and does not exceed the amount paid by the retired public safety officer for, qualified health insurance premiums, as specified.

This bill would permit the board of retirement of a retirement system subject to the County Employees Retirement Law of 1937, in order to implement the federal Pension Protection Act of 2006, to determine the normal retirement age of a member, if a member is a public safety officer, consistent with federal tax law, and if a specified provider is a health insurance plan provider, as specified. The bill would also permit the board of retirement to change the determination of the normal retirement age in order to comply with any rules or regulations of the Internal Revenue Service.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 20136 is added to the Government Code,
- 2 to read:
- 3 20136. (a) For purposes of this section, the following
- 4 definitions shall apply:
- 5 (1) "Health insurance plan provider" means the provider of an
- 6 accident or health insurance plan or a qualified long-term care
- 7 insurance contract as described in Section 402(l)(5)(A) of Title 26
- 8 of the United States Code.

1 (2) “Normal retirement age” means the age considered to be a
2 normal retirement age for purposes of Section 402(l)(3)(B) of Title
3 26 of the United States Code.

4 (3) “Public safety officer” means a member of this system who
5 is in a safety member classification as described in subdivision (b)
6 of Section 20371.

7 (4) “Qualified health insurance premiums” means premiums
8 for coverage of a retired public safety officer, his or her spouse,
9 and dependents, by a health insurance plan provider, as described
10 in Section 402(l)(3)(D) of Title 26 of the United States Code.

11 (b) If a member separates from service as a public safety officer,
12 and he or she retires from that public safety officer position, either
13 for disability or based upon years of service after attaining the
14 normal retirement age, the board shall, in connection with the
15 payment of qualified health insurance premiums, certify to the
16 Internal Revenue Service or a health insurance plan provider that
17 the member is a retired public safety officer.

18 *SEC. 2. Section 31540 is added to the Government Code, to*
19 *read:*

20 *31540. (a) The board may, in order to implement the*
21 *provisions of the federal Pension Protection Act of 2006 as*
22 *described in Section 402(l) of Title 26 of the United States Code,*
23 *do all of the following:*

24 *(1) Determine if a member is a public safety officer, consistent*
25 *with federal tax law.*

26 *(2) Determine if a provider of an accident or health insurance*
27 *plan or a qualified long-term care insurance contract is a health*
28 *insurance plan provider.*

29 *(3) Determine the normal retirement age of a member by the*
30 *age specified in the name of the benefit formula under Article 7.5*
31 *(commencing with Section 31660) or Article 8 (commencing with*
32 *Section 31670), that is applicable to that member.*

33 *(b) The board may change its determination of normal*
34 *retirement age as described in paragraph (3) of subdivision (a) in*
35 *order to comply with any rules or regulations of the Internal*
36 *Revenue Service.*